



Federal Communications Commission
Washington, D.C. 20554

June 14, 2017

DA 17-576
Released: June 14, 2017

KRCA Licensee LLC
c/o Kathleen Kirby, Esq.
Wiley Rein LLP
1776 K Street, N.W.
Washington, DC 20006

Re: KRCA(DT), Riverside, CA
Facility ID: 22161
File No. BTCCDT-20170427ABJ

Dear Licensee:

KRCA Licensee LLC (KRCA) is the licensee of several stations, including KRCA(DT), Riverside, California. KRCA has pending a *pro forma* transfer of control. On March 29, 2017, the *Financial Procedures Public Notice* stated:

The Media Bureau intends to process and may grant applications to assign or transfer stations with winning bids. However, to safeguard the integrity of the incentive auction process and reduce the risk of error or fraud, a transaction involving a station with a winning bid may not be consummated until after the U.S. Treasury has disbursed the station's incentive payment.¹

KRCA has requested to consummate a *pro forma* intra-corporate reorganization prior to disbursement of the incentive payment. According to KRCA, "[t]he underlying transaction for which [approval is sought] is extremely time sensitive and tied to the maturity of certain notes and a new bond offering."² KRCA further asserts that the proposed transaction is purely *pro forma* in nature, stating: that the application "simply seeks FCC consent to the insertion of a newly created intermediary company;"³ that, upon consummation, "the license identified in the Closing and Channel Reassignment Public Notice

¹ *Procedures for Submitting Financial Information Required for the Disbursement of Incentive Payments and Reimbursement Payments After the Incentive Auction Closes*, Public Notice, DA 17-282, n. 19 (GN, AU, and MB March 29, 2017) (*Incentive Auction Financial Procedures Public Notice*). See, also, *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*, Report and Order, 29 FCC Rcd 6567, 6787 para. 538 (2014).

² FCC File No. BTCCDT - 20170427ABJ, Exhibit 1.

³ *Id.*

will still legally hold the license for KRCA;” and that “no FRN, bank account, or other payment instructions provided by LBI to the FCC in connection with KRCA(TV)’s winning bid will change.”⁴

Counsel for the licensee has also represented to the Commission that consummation of the *pro forma* transfer will have:

no effect whatsoever on the rights or interests of any of LBI’s equity or debt holders as they pertain to auction proceeds.... The Holdings creditors will not and cannot benefit from any of the auction proceeds payable to KRCA License as the result of KRCA(TV)’s winning bid. To the extent any of the auction proceeds are used to pay down debt, they would be expended to pay down secured debt of LBI Media, not to pay down the debt of Holdings or Intermediate Holdings. In fact, ...there are covenants in the debt instruments of LBI Media that require the auction proceeds to be reinvested at LBI Media or its “restricted subsidiaries” or to repay indebtedness of LBI Media and prohibit the payment of “restricted payments,” which would include distributions by LBI Media to Holdings or Intermediate Holdings or investments by LBI Media in Holdings or Intermediate Holdings (the attachments are provided as examples – all three of LBI Media’s debt instruments include similar prohibitions).⁵

Counsel provided the relevant portions of one of the debt instruments reflecting the elements described in the language cited above.⁶

Under the circumstances presented here, namely the time-sensitive nature of maturing notes; KRCA’s representation that the *pro forma* transaction will have no effect whatsoever on the rights or interests of any of LBI’s equity or debt holders as they pertain to auction proceeds in combination with the fact that the name of the winning bidder, the FRN, and bank account information will not change; as well as the nature of the transaction, we will allow consummation prior to disbursement of auction proceeds in this particular circumstance. We note, however, that our decision is limited to the specific facts and special circumstances before us.

⁴ *Id.*

⁵ June 8, 2017, Letter from Kathleen Kirby to Jean Kiddoo, Chair, and Hillary DeNigro, Deputy Chair, Incentive Auction Task Force, at 3.

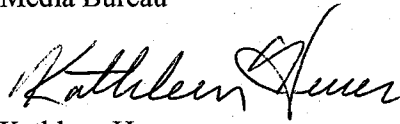
⁶ June 8, 2017, Letter from Kathleen Kirby to Jean Kiddoo, Chair, and Hillary DeNigro, Deputy Chair, Incentive Auction Task Force, at Exhibit A.

Based on the foregoing, we allow consummation prior to disbursement of auction proceeds in this case. We further grant the application seeking the *pro forma* transfer of control of KRCA Licensee LLC, File No. BTCCDT-20170427ABJ.

Sincerely,

A handwritten signature in black ink, appearing to read "Barbara A. Kreisman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Barbara A. Kreisman
Chief, Video Division
Media Bureau

A handwritten signature in black ink, appearing to read "Kathleen Heuer". The signature is cursive and somewhat stylized, with a large initial "K".

Kathleen Heuer
Chief Financial Officer
Office of Managing Director